

**Needham Finance Committee  
Minutes of Meeting of January 15, 2020**

The meeting of the Finance Committee was called to order by Vice Chair Carol Fachetti at approximately 7:00 pm at the Needham Town Hall.

Present from the Finance Committee:

Carol Smith-Fachetti, Vice Chair/Acting Chair

Members: Barry Coffman, John Connelly, Joshua Levy, Richard Lunetta, Garrett Parker, Richard Reilly

Others present:

David Davison, Assistant Town Manager/Finance Director

Evelyn Poness, Town Treasurer/Collector

Michelle Vaillancourt, Town Accountant

Roger MacDonald, Director of Management Information Systems

Tatiana Swanson, Finance and Procurement Coordinator

**Citizen Requests to Address Finance Committee**

No citizens requested to speak.

**Approval of Minutes of Prior Meetings**

MOVED: By Mr. Reilly that the minutes January 8, 2020 be approved as distributed, subject to technical corrections. Mr. Connelly seconded the motion. The motion was approved by a vote of 7-0.

**FY 2021 Department Budget Requests (operating and capital)**

Fleet capital

Mr. Connelly stated that the fleet capital request for FY21 totals \$1.6 million, which is expected to be funded with free cash. He stated that core fleet accounts for \$444K of the fleet request and that specialized equipment, which generally is the more expensive equipment, accounts for just over \$1 million. The ambulance is the most significant item in the request, replacing a 13-year old ambulance. Mr. Levy asked if 13 years is the normal replacement cycle for an ambulance. Mr. Davison stated that it is longer than usual. There is a schedule, but vehicles are all reviewed to see if the expected replacement can be deferred or needs to be accelerated. He stated that the new one become will become the front line vehicle. The front line vehicles are usually not more than 5 years old. He stated that the Mack tractor is an example of a vehicle that needed to be accelerated. It was planned for replacement in 2 years, but the vehicle is now dead.

Ms. Fachetti asked if hybrid vehicles would be replaced with other hybrids. Mr. Regan stated that they would purchase a hybrid if there is a suitable option. Sometimes they will need to stray from buying a hybrid if it does not meet the designated need, which is allowable under the Green Communities requirements. Mr. Reilly noted that two vans are being replaced, and one was a year older than the other. He asked if the newer van had more mileage. Mr. Davison stated that those are School department vehicles, so are outside of the Fleet Supervisor's control, but that the

School Department tries to have newer vans to use for longer trips to avoid transportation problems. Mr. Davison stated that the costs are all based on current quotes, with 3.5% annual inflation added. Mr. Levy asked if the water and sewer trucks can be used interchangeably. Mr. Davison stated that technically they could be, but in practice they are used only by the department that they are assigned to. Both the water and sewer divisions are enterprise funds and therefore funded separately from each other and from the general fund. He noted that there can be a significant backup of 6-9 months for purchasing Ford trucks. He stated that at times, the dealer will sell a vehicle to a different customer to make the extra sale and then delay an outstanding order. Mr. Regan stated that there has been a shift toward building vehicles to order instead of stocking vehicles, which means that any delay in the manufacturing process will hold up the new vehicles. Mr. Coffman asked if the Town always buys new vehicles. Mr. Davison stated that there are different bidding rules for used vehicles and additional disclosure requirements, and that the process takes time. Most people selling used vehicles want to move them quickly.

#### Finance Department

Mr. Reilly asked if there was a legal way to alleviate the tax burden on long-time homeowners that are seeing higher and higher assessments and may be pushed out of town because of increasing property taxes. Mr. Davison stated that there are certain exemptions for qualifying people, but the argument has been made that there should not be exemptions, because taxpayers have to live with the consequences of their actions. If they voted to spend more, then they need to pay the have higher taxes. He also noted that if these homes are less than the average value in town, then their share of the Town tax burden will decrease as some houses are improved and assessed even higher. Mr. Levy asked if a change to setbacks would change a homeowner's assessment if it means that there is less buildable area. Mr. Davison stated that the assessed value depends on the market. The change in a minimum lot size could make a difference, but not a setback.

Mr. Levy stated that the highest priority Finance Department DSR4 request is for a network security update. Mr. MacDonald stated that the Town buildings are connected by fiber and that this would provide software to enhance security by directing electronic traffic. This funding request includes mostly software licensing costs and does not require additional infrastructure. In response to a question from Mr. Lunetta, Mr. MacDonald stated that the current security is up to date, but this would be an upgrade. He stated that there have been ransomware attacks in Massachusetts, and the Town would like to avoid that. He stated that this system would manage data, but that it is most important to train users to detect potential problems. Mr. Reilly asked if this would limit access to the system. Mr. MacDonald stated that it will monitor the traffic between buildings and will detect if there is a problem in one building. He stated that he has spoken with the Technology Advisory Board and that they agree with the request.

Mr. Coffman noted that the most material change in the overall department budget is the software licensing costs. Mr. MacDonald stated that the rising costs are based on more users as well as increased use of new technologies for efficiencies. He stated that the number of licensed users working for the Town has grown rapidly recently from 275 to 350 licensed users. There are also more requests for mobile software or use of the cloud environment. Mr. Coffman asked if departments are required to make a business case for requests. Mr. MacDonald stated that they do not necessarily make a business case, but he does make sure to understand what they do and how the software will help. Mr. Reilly stated that the Professional and Technical Services costs

is up 120%, including the DSR4, and asked how to evaluate that increased cost if there is no reduction in headcount. Mr. MacDonald stated that \$90K of the increase is a one-time cost to help with implementation of the new security network. He stated that this \$90K will avoid the need to add a full-time equivalent employee. Mr. Davison stated that the additional tech costs should keep headcount from increasing. He noted that this budget line includes other costs as well.

Mr. Reilly asked if there are still costs of maintaining servers and switches. Mr. MacDonald stated that there will probably always be some local hardware at Public Safety to provide an in-house backup. Mr. Lunetta asked how efficiencies from software are measured. Mr. MacDonald stated that the IT Division is not tracking that, so one would have to look at the departments themselves. Mr. Levy stated that each department uses software differently and asked if it would be more effective to have the same software everywhere. Mr. MacDonald stated that the needs or goals for each department are different. Mr. Jacob also noted that additional software may not have a tangible savings, but could provide better access to information. Mr. MacDonald stated that as the departments make more paper records electronic, information is becoming more accessible.

Mr. Lunetta stated that the HR applicant tracking software cost of \$7,500 seems expensive. Mr. MacDonald stated that they reviewed the options, and the cost was in line for what was needed. Mr. Levy asked if the DSR4 request for a summer intern would be an annual cost. Mr. MacDonald stated that the person would help get some additional work done each summer, which will save time of the staff. He stated that the School Department helps them find a candidate. Mr. Reilly suggested reaching out to Minuteman High School as well.

Mr. Davison stated that there is an additional DSR4 request for an electronic medical records program for HHS. The software would move social work records from paper to electronic. Ms. Poness stated that she would work with the department to allow them to accept credit card payment.

### Technology Capital

Mr. MacDonald stated that the request for Multi-Function Printer Devices is a third part of a 4-phase project to replace all of the devices in all of the Town buildings. He stated that the printers last a long time, but eventually the cartridges and parts are hard to find and repairs can be held up, in one case up to a week, which slows efficiency. Mr. Lunetta asked if the replacement schedule should be accelerated since a one-week delay is concerning. Mr. MacDonald stated that the machines are on a 5-6 year cycle which is working well. Mr. Davison stated that they seek to get the most out of each machine but when the parts become scarce, they know they need to replace the machine. Mr. MacDonald stated that the new printers allow them to produce some documents in-house at a savings. Mr. Lunetta asked how much the FY21 request would increase to accelerate the schedule. Mr. MacDonald stated that it would add about 50-60% to increase the cost to \$50K. He stated such an increase would eliminate the 4<sup>th</sup> phase in FY22. Mr. Reilly suggested considering more use of electronic copies, such as of the capital improvement plan for committees. Mr. MacDonald stated that there is not currently funding for tablets or other portable devices to access the documents.

Mr. Coffman stated that there will be a financial warrant article for the Treasurer/Collector's office. Mr. Davison stated that the funds would replace the revenue and billing operations

systems. The current system is from 1993-1994 and works, but does not communicate with other systems, which requires additional work. The system produces the water, sewer, property tax and motor vehicle bills as well as other receiveables. Needham is the only remaining user in Massachusetts, and the company no longer wants to support the system. Mr. Davison stated that there is no off-the-shelf package. The new system will cost approximately \$1 million of which \$200-\$300K will be recurring. The other costs are one-time for system implementation and data transfer. Because of records requirements, there are 30 years of records to print. The project will go through the formal bidding process, and be evaluated based on the services and functionality. They expect a 2-year phase in where they will run both systems at the same time. Ms. Poness concurred that the Town should not keep the existing system, but that it has served the Town well.

#### Townwide Expenses (Casualty Ins., Debt Service, Needham Electric, Res Fund)

Mr. Reilly stated that there are four remaining line of Townwide Expenses to cover. The General Insurance budget is increasing 6.2%, which includes an increase of 2.5% in the basic insurance premium costs. The remaining increase is due to the increase in the number of insured buildings in Town.

Mr. Reilly stated that the Debt Service budget is increasing by 11%, almost exclusively due to the actions of Town Meeting to authorize debt spending. He stated that the spending within the levy limit will remain at 3%, which is a higher total in FY21, so the budget increase for debt within the levy is 5.7%. The budget for excluded debt is increasing 12% or \$4.5 million to \$21.1 million, which is approximately 11% of the total of the FY21 operating budget requests. Mr. Reilly noted that these numbers are based on borrowing full amounts but that there may be bond premiums because of the Town's high credit rating that would ultimately reduce the borrowed amounts.

Mr. Reilly stated that the Needham Electric Light and Gas Program budget has two components: the volume, which is based on a 3-year average, and the rate, which is applied to the volume. He asked whether the rate is an estimate or contractual. Mr. Davison stated that the rate is an estimate, as the price is locked in only for the electric supply only through December 2021 (thus the first half of FY22). He stated that there is a gas contract for the first 5 months of FY21, but the cost for the remaining 7 months is not certain. Eversource has filed for a significant increase. The budget assumes 22.5 cents per kWh. Natural gas costs are down from \$1.77 last year to \$1.47 per therm, which is locked in for the first 5 months. Mr. Reilly stated that the budget has a 9% increase in electricity costs and a decrease in 7% for gas costs for a total increase of \$144K. Mr. Davison stated that they always use a 3-year average for consumption because the weather is unknown.

Mr. Reilly noted that the costs of the solar energy program are in the budget, but that revenue comes into the general fund and is not credited against the expenses in this budget. Mr. Davison stated that the revenue was \$1.025 million in FY18 and \$1.1 million in FY19. As the solar panels age, they tend to degrade and produce less energy, so he expects about \$1 million in revenue and \$440K in costs. Mr. Levy asked about the solar panels on the Williams School. Mr. Davison stated that they produce energy for the school, or will upload to the grid if there is additional power, which is credited against consumption and does not come in as revenue. He uses the net bills for the estimated costs for that building so any credit would be accounted for there.

Mr. Levy asked about the possibility for reducing debt service by paying off debts early. Mr. Davison stated that the Town does refinance debts or pay amount when it can and it makes sense, but there are currently no debts subject to call. He stated that in order to maintain a high credit rating, there are optimal time frames for paying off debts.

### **Finance Committee Updates**

Mr. Reilly asked about revenue projections. Mr. Davison stated that he assumes that revenue will increase 4% over the actual budget. Most comes from property tax and excise tax. He needs to be very conservative, because the motor vehicle excise tax is 3% of revenue and if that falls off and he was not conservative, then it would be very difficult to recover. Mr. Reilly stated that the recent report of the independent auditor shows a net number just under \$12 million of revenues over expenditures, and that there is a good discussion in the write-up. Mr. Davison stated that there have been recent years of increases in revenue with the development at Needham Crossing and new residential housing. Though recently the revenues have not been as high, and some reserves were used. As a result, the balance of reserves has decreased, but this was all planned. He stated that the Town was able to avoid using debt for the Memorial Park and Cogswell buildings, which normally would have been funded with 100% debt. He stated that \$2.5 million was taken from the Athletic Facility Fund.

Mr. Reilly stated that the OPEB audit for the recent fiscal year shows that the liability is about 3.7% covered. The Town pension program is 73% funded. Mr. Davison stated that teachers and professional staff are covered by the separate state pension system, and about half of the staff, including bus drivers, cafeteria workers and others are covered by the Town's pension. He stated that the School Department pension is separate, but the School Department accounts for about 60% of the OPEB liability.

### **Adjournment**

MOVED: By Mr. Connelly that the Finance Committee meeting be adjourned, there being no further business. Mr. Reilly seconded the motion. The motion was approved by a vote of 7-0 at approximately 8:39 p.m.

Documents: FY 2021 Town of Needham Department Spending Requests;

Respectfully submitted,

Louise Mizgerd  
Staff Analyst

*Approved January 29, 2020*